

SPECIAL OLYMPICS NEW MEXICO, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Special Olympics New Mexico, Inc.
Albuquerque, New Mexico

We have audited the accompanying statements of financial position of Special Olympics New Mexico, Inc. (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics New Mexico, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Broderick & Company, LLC

Broderick & Company, LLC

March 23, 2010

Special Olympics New Mexico, Inc.

Statements of Financial Position

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash	\$ 393,201	\$ 304,464
Accounts receivable	84,771	84,678
Inventory	1,754	5,217
Prepaid expenses	6,571	12,063
Investments	356,558	315,128
Property and equipment	48,373	57,254
Restricted certificate of deposit	50,000	50,000
Endowment fund	50,517	43,434
	<u>991,745</u>	<u>872,238</u>
Total assets	<u>\$ 991,745</u>	<u>\$ 872,238</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 21,838	\$ 10,398
Accrued liabilities	10,429	8,052
Deferred revenue	21,100	15,300
Capital lease obligation	20,160	5,105
	<u>73,527</u>	<u>38,855</u>
Total liabilities	<u>73,527</u>	<u>38,855</u>
Net assets		
Unrestricted	878,624	794,289
Permanently restricted net assets	39,594	39,094
	<u>918,218</u>	<u>833,383</u>
Total net assets	<u>918,218</u>	<u>833,383</u>
Total liabilities and net assets	<u>\$ 991,745</u>	<u>\$ 872,238</u>

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.

Statement of Activities

Year Ended December 31, 2009

	<u>Unrestricted</u>			
	<u>Chapter</u>	<u>Area and Local</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains, and other support				
Contributions	\$ 821,878	\$ 225,252	\$ 500	\$ 1,047,630
Direct marketing revenue	320,654	-	-	320,654
Special events	252,131	63,406	-	315,537
State contract	324,500	-	-	324,500
Program sponsor and registration	243,039	-	-	243,039
Investment income	13,191	1,114	-	14,305
	<u>1,975,393</u>	<u>289,772</u>	<u>500</u>	<u>2,265,665</u>
Expenses				
Program services				
Sporting events and games	721,554	147,373	-	868,927
Sports training	432,932	88,424	-	521,356
Public education activities	288,622	58,949	-	347,571
Total program services	<u>1,443,108</u>	<u>294,746</u>	<u>-</u>	<u>1,737,854</u>
Management and general	156,661	403	-	157,064
Fund-raising	284,394	1,518	-	285,912
	<u>1,884,163</u>	<u>296,667</u>	<u>-</u>	<u>2,180,830</u>
Changes in net assets	91,230	(6,895)	500	84,835
Net assets, beginning of year	<u>472,364</u>	<u>321,925</u>	<u>39,094</u>	<u>833,383</u>
Net assets, end of year	<u>\$ 563,594</u>	<u>\$ 315,030</u>	<u>\$ 39,594</u>	<u>\$ 918,218</u>

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.

Statement of Activities

Year Ended December 31, 2008

	<u>Unrestricted</u>			
	<u>Chapter</u>	<u>Area and Local</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains, and other support				
Contributions	\$ 828,792	\$ 247,769	\$ 1,150	\$ 1,077,711
Direct marketing revenue	369,018	-	-	369,018
Special events	259,875	55,974	-	315,849
State contract	271,250	-	-	271,250
Program sponsor and registration	234,121	-	-	234,121
Investment income	(9,459)	1,269	-	(8,190)
	<u>1,953,597</u>	<u>305,012</u>	<u>1,150</u>	<u>2,259,759</u>
Expenses				
Program services				
Sporting events and games	733,739	122,504	-	856,243
Sports training	440,244	73,502	-	513,746
Public education activities	293,496	49,002	-	342,498
Total program services	<u>1,467,479</u>	<u>245,008</u>	<u>-</u>	<u>1,712,487</u>
Management and general	196,944	267	-	197,211
Fund-raising	317,513	195	-	317,708
	<u>1,981,936</u>	<u>245,470</u>	<u>-</u>	<u>2,227,406</u>
Changes in net assets	(28,339)	59,542	1,150	32,353
Net assets, beginning of year	<u>500,703</u>	<u>262,383</u>	<u>37,944</u>	<u>801,030</u>
Net assets, end of year	<u>\$ 472,364</u>	<u>\$ 321,925</u>	<u>\$ 39,094</u>	<u>\$ 833,383</u>

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.
Statement of Functional Expenses
Year Ended December 31, 2009

	2009			
	Program Services	Management and General	Fund-raising	Total
Salaries	\$ 300,919	\$ 93,229	\$ 113,722	\$ 507,870
Program donated services	411,685	-	-	411,685
Program food and lodging	319,247	-	-	319,247
Outreach	190,327	-	-	190,327
Equipment and uniforms	120,351	-	-	120,351
Benefits	62,473	19,355	23,609	105,437
Fund-raising expense	-	-	91,356	91,356
Other program expenses	88,642	-	-	88,642
Special events	37,305	-	30,523	67,828
Program awards and recognition	53,142	-	-	53,142
Rent	23,579	6,824	6,824	37,227
Program facilities	31,114	-	-	31,114
Depreciation	19,738	6,580	6,580	32,898
Telephone	12,914	5,166	7,748	25,828
Chapter assessment fees	21,672	-	-	21,672
Office supplies and expenses	14,963	1,914	2,267	19,144
Other expenses	9,444	6,296	-	15,740
Insurance	12,059	1,340	-	13,399
Accounting services	-	11,211	-	11,211
Printing and postage	5,144	1,715	1,715	8,574
Travel, meetings, and conferences	3,136	1,568	1,568	6,272
Professional services	-	1,866	-	1,866
	<u>\$ 1,737,854</u>	<u>\$ 157,064</u>	<u>\$ 285,912</u>	<u>\$ 2,180,830</u>
Total expenses	<u>\$ 1,737,854</u>	<u>\$ 157,064</u>	<u>\$ 285,912</u>	<u>\$ 2,180,830</u>

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.

Statement of Functional Expenses

Year Ended December 31, 2008

2008

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Salaries	\$ 285,179	\$ 110,379	\$ 107,694	\$ 503,252
Program donated services	331,357	-	-	331,357
Program food and lodging	267,794	-	-	267,794
Outreach	261,809	-	-	261,809
Other program expenses	122,737	-	-	122,737
Fund-raising expense	-	-	121,198	121,198
Benefits	57,536	22,269	21,727	101,532
Special events	55,719	-	42,556	98,275
Equipment and uniforms	95,844	-	-	95,844
Program awards and recognition	55,791	-	-	55,791
Program facilities	43,647	-	-	43,647
Depreciation	16,634	24,950	-	41,584
Rent	23,872	6,898	6,898	37,668
Office supplies and expenses	22,211	2,909	3,962	29,082
Telephone	12,869	5,148	7,722	25,739
Chapter assessment fees	21,053	-	-	21,053
Other expenses	10,041	6,694	-	16,735
Printing and postage	8,306	2,769	2,769	13,844
Insurance	11,926	1,325	-	13,251
Travel, meetings, and conferences	6,363	3,182	3,182	12,727
Accounting services	-	10,688	-	10,688
Professional services	1,799	-	-	1,799
Total expenses	<u>\$ 1,712,487</u>	<u>\$ 197,211</u>	<u>\$ 317,708</u>	<u>\$ 2,227,406</u>

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.
 Statements of Cash Flows
 Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ 84,835	\$ 32,353
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	32,898	41,584
(Gain)/loss on endowment investments	(7,083)	16,788
(Gain)/loss on disposal of asset	(2,245)	-
Changes in operating assets and liabilities:		
Accounts receivable	(93)	2,054
Prepaid expenses	5,492	(10,671)
Inventory	3,463	(1,504)
Accounts payable	11,440	(12,883)
Accrued liabilities	2,377	(270)
Deferred revenue	5,800	9,300
Contributions restricted for long-term purposes		
Permanently restricted contributions	<u>(500)</u>	<u>(1,150)</u>
 Cash provided by operating activities	 <u>136,384</u>	 <u>75,601</u>
 Cash flows from investing activities		
Purchase of investments	(35,597)	(143,020)
Proceeds on sale of investments	-	146,023
Reinvested investment income	(5,833)	(8,430)
Purchases of property and equipment	<u>(2,586)</u>	<u>(6,853)</u>
 Cash used by investing activities	 <u>(44,016)</u>	 <u>(12,280)</u>
 Cash flows from financing activities		
Principal payments on capital lease obligation	(4,131)	(5,426)
Collections of contributions for long term purposes	<u>500</u>	<u>1,150</u>
 Cash used by financing activities	 <u>(3,631)</u>	 <u>(4,276)</u>
 Change in cash and cash equivalents	 88,737	 59,045
 Cash and cash equivalents, beginning of year	 <u>304,464</u>	 <u>245,419</u>
 Cash and cash equivalents, end of year	 <u>\$ 393,201</u>	 <u>\$ 304,464</u>
 Supplemental disclosure		
Interest paid	\$ 987	\$ 1,261
Noncash investing transactions		
Capital lease equipment trade in	\$ 5,104	
Capital lease obligation incurred for use of equipment	\$ 24,290	

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2009 and 2008

Note 1 – Nature of Activities

Special Olympics New Mexico, Inc. (SONM) was incorporated on September 6, 1977 for the purpose of providing year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with mental challenges (intellectual disabilities). SONM gives the participants continuing opportunities to develop physical fitness, demonstrate courage, experience joy and participate in sharing of gifts, skills and friendship with their families, other Special Olympic athletes and the community. SONM currently offers 15 Olympic-type sports to over 2,400 athletes. SONM has over 1,000 certified volunteer coaches and over 6,000 volunteers statewide.

SONM offers five state competitions. The State Summer Games, the largest event, includes competition in track and field, gymnastics, cycling, unified volleyball, unified bocce and bocce. These are held in Albuquerque at the University of New Mexico. The Four Corners Invitational includes competition in golf, unified softball, and aquatics. These are hosted in Farmington. The State Equestrian Tournament is held at the Curry County Fairgrounds in Clovis. SONM's Holiday Classic is held in Las Cruces and Albuquerque. In Las Cruces, basketball is played at New Mexico State University and bowling is held at Sun Lanes to accommodate bowlers in the south. Bowling is also held in Bernalillo at Santa Ana Starlight Lanes to host increased numbers of bowlers in the northern half of our state. Poly hockey (hockey without ice) is held in February, at the Eastern New Mexico Fairgrounds in Roswell.

At three of the State Competitions, SONM offers its Healthy Athlete Program, designed to help Special Olympics athletes improve their health and fitness. Athletes receive health screenings done by health care professionals. These include dentistry, optometry, audiology, physical therapy, and podiatry. The Healthy Athletes initiative goes beyond providing direct services at Special Olympics events; it also provides additional training for health care professionals about the special needs of patients with developmental disabilities and serves to educate the public and policy makers about the special health care needs of Special Olympics athletes. Through better health and fitness, each athlete's ability to train and compete is improved.

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

The financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. SONM is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies - continued

The statements of activities reflect the two operating segments of SONM. Chapter is the overall administrative body of SONM. Chapter facilitates all statewide activities and state competitions. Area/Local consists of the six geographic locations throughout the state of New Mexico. Area/Local hosts the regional and community programs and competitions.

Revenues, Gains, and Other Support

In order to support its various programs, SONM generates its revenue and support through a variety of sources. The primary source of support is gifts and bequests from individuals and corporations. Corporations and individuals may also contribute funds to sponsor specific events offered by SONM. SONM also generates revenue and support through telemarketing contracts and from a State of New Mexico grant. Additionally, SONM hosts various special events.

SONM reports contributions received as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. If the restriction is satisfied in the same period the contribution is received, the contribution is reported as unrestricted.

Donated materials and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. The total of donated materials and noncash donations were \$207,189 in 2009 and \$334,474 in 2008.

Donated services are recognized as contributions if the donated services create or enhance non-financial assets or require specialized skills, and are provided by individuals possessing those skills, and would otherwise be purchased by SONM. SONM recognized \$411,115 in 2009 and \$331,042 in 2008 for services provided by certified coaches and officials.

Accounts Receivable

Accounts receivable are for grants, contracts and contributions. Accounts receivable are considered to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be written off and charged to bad debt expense. SONM considers all receivables over 90 days to be past due. Receivables over 90 days at year-end were \$0 at December 31, 2009 and 2008. There was no bad debt expense in 2009 or 2008.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies -continued

Investments

Investments consist of money market funds, certificates of deposit and government securities and are reported at fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Investment gains and losses are included in the statement of activities.

Inventory

Inventories consist of souvenir goods to be sold at events. Inventories are valued at the lower of cost or market determined on the average cost method.

Property and Equipment

Property and equipment are stated at cost. Donated assets that are to be used by SONM are capitalized at their fair market value on the date of the gift. Depreciation is computed using the straight-line method over estimated useful lives of three to ten years. All acquisitions of property and equipment in excess of \$500 are capitalized.

Deferred Revenue

SONM receives revenue for special events which will occur in a future year and are recorded as deferred revenue.

Functional Allocation of Expenses

The costs of providing programs and supporting services have been summarized by function based on evaluation of the related benefit by management. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Taxes

SONM is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered to be a private foundation. Currently, SONM engages in no activities that would be taxed as unrelated business income. Accordingly, no provision for income taxes has been reflected in SONM's financial statements. SONM's income tax filings are subject to audit by various taxing authorities. SONM's open audit periods are 2004 to 2009. SONM adopted the provisions of FASB ASC 740-10 "Accounting for Uncertainty in Income Taxes" on January 1, 2009. As a result of the implementation, SONM has not recognized any changes to the financial statements for uncertain tax positions.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

SONM expenses advertising costs as incurred. For 2009 and 2008, advertising expense was \$105,905 and \$208,459, respectively, including donated advertising of \$94,632 and \$196,811 respectively.

Note 3 – Accounts Receivable

Accounts receivable consist of the following:

	<u>2009</u>	<u>2008</u>
State of New Mexico contract	\$ 62,750	\$ 77,500
Sponsor commitments	-	4,096
Telemarketing revenue	9,552	832
Other	12,469	2,250
	<u>\$ 84,771</u>	<u>\$ 84,678</u>

Note 4 – Investments

Investments are stated at fair value and consist of:

	<u>2009</u>		Unrealized
	<u>Cost</u>	<u>Fair Value</u>	<u>Gain/(Loss)</u>
Certificates of deposit	\$ 10,000	\$ 10,000	\$ -
Government securities	77,845	80,463	2,618
Money market funds	266,095	266,095	-
	<u>\$ 353,940</u>	<u>\$ 356,558</u>	<u>\$ 2,618</u>

	<u>2008</u>		Unrealized
	<u>Cost</u>	<u>Fair Value</u>	<u>Gain/(Loss)</u>
Certificates of deposit	\$ 135,000	\$ 135,958	\$ 958
Money market mutual funds	155,237	155,237	-
Money market fund	23,933	23,933	-
	<u>\$ 314,170</u>	<u>\$ 315,128</u>	<u>\$ 958</u>

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2009 and 2008

Note 4 – Investments - continued

The following summarizes the investment income in the statement of activities. The investment income includes income from investments, certificates of deposit and the endowment fund.

	2009	2008
Interest and dividend income	\$ 7,226	\$ 10,248
Net realized and unrealized gains	7,079	(18,438)
	<u>\$ 14,305</u>	<u>\$ (8,190)</u>

Note 5 – Property and Equipment

Property and equipment consist of the following:

	2009	2008
Office equipment and software	\$ 148,860	\$ 146,493
Program equipment	122,899	122,899
	271,759	269,392
Less accumulated depreciation	223,386	212,138
	<u>\$ 48,373</u>	<u>\$ 57,254</u>

Depreciation expense was \$32,898 and \$41,584 for the years ended December 31, 2009 and 2008, respectively.

Note 6 – Endowment Fund

SONM's endowment funds are held by the Albuquerque Community Foundation (the Foundation) as part of its pooled investments. The funds in the endowment consist of donor imposed restricted and unrestricted assets. These investments are stated at fair market value. The Foundation reports realized and unrealized gains and losses and other investment income to SONM which is reflected on the statement of activities. The Foundation's policy is to annually distribute 5% of the average twelve quarters' fund balances through December 31st if requested by SONM. There were no distributions requested in 2009 or 2008.

Note 7 – Line of Credit

SONM has a \$50,000 bank line of credit with no outstanding balance at December 31, 2009 and 2008. Interest is accrued on the outstanding balance at the variable corporate base rate established by the lender. Collateral on the line of credit is a \$50,000 certificate of deposit.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2009 and 2008

Note 8 – Capital Lease Obligation

In January 2009, SONM replaced and traded in the capital lease property with a new lease. The initial book value of the property under capital lease is \$24,290 in 2009 and \$24,509 in 2008, and is included in office equipment and software net of the accumulated depreciation of \$4,858 in 2009 and \$21,650 in 2008.

Capital lease obligation consists of the following:

	<u>2009</u>	<u>2008</u>
Capital lease obligation to finance company, payable in monthly installments of \$465, including interest at 4.8%, due December, 2013.	\$ 20,160	\$ -
Capital lease obligation to finance company, payable in monthly installments of \$608, including interest at 16.9%, due August, 2009.	-	5,105

Maturities of the capital lease obligation as per the new lease agreement are as follows: 2010 - \$4,717; 2011 - \$4,949; 2012 - \$5,191; 2013 - \$5,303.

Note 9 – Unrestricted Net Assets

Unrestricted net assets consist of the following:

	<u>2009</u>	<u>2008</u>
Chapter	\$ 563,594	\$ 472,364
Area/Local	315,030	321,925
	<u>\$ 878,624</u>	<u>\$ 794,289</u>

The Board of Directors has created a board designated fund which sets aside a percentage of unrestricted revenues. The board designated funds are reserved in anticipation of future liabilities or unexpected events. The board designated funds consist of the following:

	<u>2009</u>	<u>2008</u>
Investments	\$ 346,372	\$ 304,942

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2009 and 2008

Note 10 – Commitments and Contingencies

SONM leases office space under an operating lease. Lease expense on the office space was \$29,820 and \$32,004 for 2009 and 2008, respectively. The minimum lease payments for 2010 is \$31,200.

Note 11 – Direct Marketing Contributions

SONM contracts with a professional marketing agency to conduct direct marketing campaigns, including direct mail and telemarketing, to raise funds and increase public knowledge and awareness of SONM's mission and activities. The campaign resulted in contributions of \$243,108 and \$287,433 for the years ended December 31, 2009 and 2008, respectively. These contributions are included in direct marketing revenues on the Statements of Activities. SONM incurred costs of \$160,509 and \$195,455, to the professional marketing agency in 2009 and 2008, respectively. The majority of the effort by the telemarketing contractor is to raise awareness about SONM, encourage volunteer participation, and seek out potential athletes. On the Statement of Functional Expenses the joint costs allocated to program expenses are \$88,280 in 2009 and \$107,500 in 2008. Joint costs allocated to fundraising expenses are \$72,229 in 2009 and \$87,955 in 2008.

Note 12 – Related Party Transactions

SONM is accredited by Special Olympics International, Inc. (SOI) to conduct sports training and competition activities within New Mexico. SONM made payments to SOI of \$21,672 and \$21,053 for 2009 and 2008, respectively, for program support and assessments.

SONM has a direct mail fundraising agreement with SOI in which SOI does the direct mail fundraising and SONM shares the proceeds with SOI. SONM received income from this agreement for year end December 31, 2009 and 2008 of \$77,131 and \$80,919, respectively.

Note 13 – Pension Plan

SONM has a defined contribution 403(b) Plan that covers all eligible employees of SONM. Participating employees are eligible to contribute a percentage of their salary to the Plan. SONM contributes up to three percent matching contribution of participating employees' salary to the Plan. Pension expense was \$12,135 and \$12,042 for the years ended December 31, 2009 and 2008, respectively.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2009 and 2008

Note 14 – Concentrations of Credit Risk

Financial instruments that potentially subject SONM to concentration consist principally of cash and investments. SONM places its investments with financial institutions and investment brokerage firms. Investments with financial institutions are federally insured and investments held by investment brokerage firms are insured by the brokerage firm. At December 31, 2009 and 2008, SONM's uninsured cash balances totaled \$81,664 and \$78,090, respectively.

Note 15 – Subsequent Event

Subsequent events are events or transactions that occur after the balance sheet date but before financial states are issued. SONM recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. SONM's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

SONM has evaluated subsequent events through March 23, 2010, which is the date the financial statements are issued.